



## Memorandum # 42/2003

Commonwealth of Massachusetts | Public Employee Retirement Administration Commission  
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To: All Retirement Boards

From: Joseph E. Connarton  
Executive Director

Date: December 17, 2003

Subject: Mutual Fund Allegations

As you know, the government's investigation into improper trading activities at prominent mutual fund companies did not end with Putnam Investments. In recent weeks, state and federal regulators have charged Invesco Funds Group and Alliance Capital Management with allowing inappropriate market timing trades and MFS Investment Management has disclosed that it expects to be charged. The alleged improper trading at these firms was done by a small number of privileged shareholders and clients. In none of these cases do these charges involve activities as egregious as those discovered at Putnam, where some of the firm's own portfolio managers allegedly profited from trades in funds they managed.

We do not believe that any retirement board assets were invested in any of the "retail" mutual funds that may have been impacted by improper trading at these firms. To date, we are not aware of any institutional funds that have decided to terminate their accounts with any of these firms as a result of the disclosed or pending allegations.

Nevertheless, retirement boards currently invested with these firms or contemplating investing with these firms in the future should discuss these matters with their consultants and with the client service officers of the affected firms in order to obtain the necessary information and assurances. PERAC Memo #38/2003 dated October 31, 2003, listed some of the ethical and operational issues that retirement boards should look in their examination of current or prospective money managers.